

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SAA-01 EB-08 COME-00 TRSE-00 OMB-01

CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00

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FM AMEMBASSY ISLAMABAD

TO AMEMBASSY NEW DELHI

INFO SECSTATE WASHDC 8070

CONFIDENTIAL ISLAMABAD 6705

E.O. 11652: GDS

TAGS: ETRD, IN, PK

SUBJECT: PAKISTAN-INDIA TRADE

REF: NEW DELHI 10518

1. WE ARE NOT SURPRISED THAT PAKISTAN'S CANALIZING TRADE WILL RUB THE INDIANS THE WRONG WAY. THE PAKISTANIS TELL US THAT THEY MADE IT PERFECTLY CLEAR THAT THEY WOULD TAKE THIS COURSE IF THE INDIANS DID NOT PROMPTLY COME FORTH WITH SOME IDEAS ON TRADE OPPORTUNITIES FOR PAKISTAN AND THAT THEY SAT FOR A MONTH WITHOUT A WHISPER FROM THE INDIANS. INDIANS, OF COURSE, TELL US OTHERWISE. NEVERTHELESS, IT WAS BAD FOR THEM TO HAVE TO LEARN ABOUT THE GOP DECISION FROM THE NEWSPAPER. GIVEN THE CHILL IN RELATIONS BETWEEN THE TWO COUNTRIES IN THE WAKE OF THE AFGHAN COUP, INSENSITIVITY IN HANDLING SITUATIONS LIKE THIS MAY BE UNAVOIDABLE.

2. WE RECOGNIZE THAT THE SITUATION MAY APPEAR SOMEWHAT DIFFERENT ON THE OTHER SIDE OF THE BORDER AND WOULD WELCOME EMBASSY NEW DELHI'S VIEW, BUT IT DOES APPEAR TO US THAT THERE IS SOME LOGIC IN ISLAMABAD'S CONCERN ABOUT ITS TRADE RELATIONS WITH INDIA AND THAT INDIA IS BEING INSENSITIVE TO THIS CONCERN. AS WE POINTED OUT IN SOME DETAIL LAST MAY IN OUR 4865, THE PAKISTANIS CONSIDER CONFIDENTIAL

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INDIA UNIQUE AND ARE FRIGHTENED BY THE POTENTIAL CONSEQUENCES OF OPENING UP TRADE WITH THEIR GIANT NEIGHBOR. THEY AREN'T LOOKING FOR BALANCED TRADE, OR ANY FORM OF A CLEARING ARRANGEMENT FOR THAT MATTER, BUT THEY ARE AFRAID THAT SUDDEN LIBERALIZATION OF FREE TRADE WITH AN ECONOMY AS NEAR, AS LARGE, AND AS PROTECTED AS THE INDIAN ECONOMY WOULD BE INDEFENSIBLE POLITICALLY AND WOULD SWAMP THEM. WHETHER RIGHTLY OR WRONGLY, THEY ALSO FEAR THAT THE

TRADE DOMINATION WOULD SOONER-OR-LATER LEAD SOMEHOW TO POLITICAL DOMINATION. IT WOULD SEEM TO US THAT SOME SIGNAL FROM THE INDIANS THAT THEY UNDERSTAND PAKISTAN'S CONCERN (EVEN IF THEY DISAGREE WITH IT) WOULD BE CONSISTENT WITH THE SENSE OF RESPONSIBILITY THAT THE US HAS BEEN ARGUING SHOULD ACCOMPANY INDIA'S STATUS OF THE MOST POWERFUL COUNTRY IN THE REGION.

3. WE'LL TRY IN A QUIET WAY TO INDICATE THAT IT IS IN PAKISTAN'S INTERESTS TO KEEP TRADE NEGOTIATIONS GOING WITH INDIA AND THAT THEY SHOULD AVOID ACTIONS THAT MERELY IRRITATE INDIA OR REBUFF INDIAN OVERTURES. PERHAPS EMBASSY NEW DELHI, ASSUMING IT AGREES WITH US, CAN TRY TO HELP THE INDIANS UNDERSTAND THE PAKISTANI CONCERN AND FIND A CONSTRUCTIVE WAY TO DEAL WITH IT.

HUMMEL

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